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SUBJECT: BELARUS BI-WEEKLY POL/ECON REPORT - OCTOBER 9, 2009

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1. (U) The following are brief items of interest compiled by  
Embassy Minsk.

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##### Civil Society

2. (U) IISEPS Survey: Despite Growing Pro-European Sentiments,  
Lukashenka Favored In Elections

The September survey of the Vilnius-based Independent Institute for Social, Economic and Political Studies (IISEPS) showed that pro-European sentiments are growing in Belarus; 44 percent surveyed support EU membership while 39 percent support a merger with Russia. Nevertheless, 71 percent have a "good attitude" towards Russia, and 46.8 percent support the GOB recognizing South Ossetia and Abkhazia. If the elections were held tomorrow, Lukashenka would receive 39.4 percent of the votes, Alyaksandr Milinkevich 3.4 percent, and Alyaksandr Kazulin 2 percent. 34.1 percent of those interviewed believe that the current regime represents the interests of "officials and bureaucrats," while 25 percent and 12 percent, respectively, believe the regime cares for "the people like me" and "poor and socially vulnerable" persons. Approximately 45 percent express dissatisfaction with their living standards, in particular, rising housing, educational, healthcare, and groceries costs. 43 percent blame Lukashenka, 8 percent Russia and 4 percent the West for the poor economic situation, and 47 percent expressed hope that foreign investment would improve the situation. Nevertheless, 62 percent credit Lukashenka "for maintaining stability in society" and 37 percent for "cracking down on corruption."

### 13. (SBU) GOB Continues to Try to Block Registered Parties from Getting Out Their Message

On September 30, police detained United Civic Party (UCP) leader Anatoliy Lebedko, opposition Communist Party leader Sergey Kalyakin and some of their colleagues for distributing in the center of Minsk copies of the United Democratic Forces' (UDF) anti-crisis platform. Their materials were confiscated, and after being held for a couple of hours, they were released without charges. Lebedko told Charge that the police who drove him home told him he should have waited until October 1 to handout the pamphlets because the police would have been pre-occupied with crowd control for the UEFA Cup soccer match

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between Everton and BETA. Nevertheless, Lebedko said that as it turned out most of his colleagues handing out pamphlets on the streets throughout Belarus had not been detained. He said that UDF had initially appealed to multiple city governments for permission to set up 450 booths to conduct the information campaign, but only two booths had been approved.

### 14. (SBU) Opposition Youth to Run a Joint Get Out the Vote Campaign but See It as a Up Hill Battle

During their meeting with EUR/ACE Daniel Rosenblum in Minsk on October 2, the opposition youth leaders, who have come together in a common coalition, expressed their plans to conduct "youth mobilization" campaigns in the run up to the next presidential elections, which could be scheduled as early as November 2010 but no later than February 2011. The representatives of the Right Alliance NGO, the Belarusian Popular Front Youth, the Young Belarus, the United Civic Party's Young Democrats and the Young Christian Democrats stated that despite the economic turbulences and "high level of discontent in the society," the regime's "safety factor" of controlling people through the economy continued. They complained that Lukashenka has not yet introduced real economic reforms, including privatization. The youth leaders called upon the USG to set out clear timeframes by which the GOB must meet its democratic obligations. They also argued that foreign lending to Belarus should be conditioned to political reform and not only to offset an economic crisis as that would just perpetuate the behavior of the current regime.

### 15. (U) GOB Continues to Limit Citizens Access to Independent Media

On September 30, the Ministry of Information warned the private radio station Avtoradio that it would be shut down if it continued to air an international, political, and cultural news and music show produced jointly with European Radio. On October 1, Avtoradio discontinued broadcasting the show. Journalists operating for external media reporting into Belarus on Belarus;

e.g., Belsat and Radio Racya, continue to receive warnings from the prosecutor's office for operating without accreditation. Journalist who receive three warnings can be fined. There have been thirteen warnings issued against Belarusian independent journalists since the enactment of the new media law on February 8, 2009. For the journalist it is a catch twenty two as they are consistently denied accreditation. In a separate incident, the state network Belsoyuzpechat denied a request from the independent bi-weekly Narodnaya Volya to increase its circulation from twice a week to three times a week claiming that it was "not possible to distribute additional copies due to the massive output of [other] periodicals" on that specific day of the week.

#### 16. (U) GOB Claims Private and State Media Have Equal Playing Field

An international team of media experts visited Belarus from September 21-24. In their concluding statement they urged the GOB to ensure the rights of independent journalists, ensure fair economic conditions and equal access to information for both independent and state-owned outlets, and strengthen the transparency of the accreditation process. They also called on the GOB to remove distribution and other economic restrictions against the independent media outlets. On September 22, Nataliya Petkevich, First Deputy Head of the Presidential Administration, told the media team that the GOB would "liberalize" the procedure for frequency allocation for the electronic media outlets "in the near future." Moreover, she praised the media situation in Belarus as "improving" be it slow. However, she refused to acknowledge that the state and independent media do not enjoy equal conditions in Belarus.

#### 17. (U) Opposition Leaders Delayed From Leaving the Country

On October 4, Belarusian Popular Front Chairperson Alyaksey Yanukevich was searched for two and a half hours at Minsk airport. As a result, he missed his flight to London and had to travel the next day. On October 7, Belarus border guards at the crossing point on the road to Vilnius searched United Civic Party leader Anatoliy Lebedko for two hours before allowing to cross into Lithuania.

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Economy  
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#### 18. (SBU) Russia's Flip Flop on the \$500M Could Spell Trouble for Belarus with the IMF

Russian Finance Minister Kudrin told reporters at the IMF-World Bank meeting in Istanbul on October 5 that his government will not issue the final \$500-million tranche of the \$2-billion loan to Belarus, but will help the GOB receive additional financing

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from the IMF and the Eurasian Economic Community anti-crisis fund, the latter which has yet to be established. Belarus Finance Minister Kharkovets said that the GOB will continue to talk with Russia regarding the final \$500 million tranche. (Note: According to the IMF Res Rep, Belarus has a \$1 billion dollar financing gap for 2009, and for the Stand By Agreement to stay on track, in addition to the \$200M World Bank DPL and EC \$300M MFA, Belarus must receive \$500M by the end of the year from Russia or identify a second source of funds. End Note)

#### 19. (SBU) Price Caps to Be Abolished, But Informal Controls Appear to Continue

The Ministry of Economy sources have told the media that the government will soon announce that it will abolish price caps on most products as October 28 or 29. The Ministry sites the measure as "another step" towards price liberalization. However, 50 product categories will be excluded, including medicines, food staples, and products for children, as well as to goods that are imported for production purposes in Belarus.

Commenting on the resolution, a Ministry of Economy official warned companies against price hikes implying that companies should police themselves versus being guided by market indicators. Recently, the Mayor of Minsk said companies should focus on selling Belarusian products. The Regional Manager for Coca Cola told Charge that many local companies were reluctant to continue to stock Coca Cola's imported juices, implying that the Mayor's statement was being taken as a signal by local outlets as to what was acceptable behavior to the government.

¶10. (U) Lukashenko: State Will Not Withdraw From the Economy

During his interview with the Russian press on October 2, Lukashenko declared that the state should not "withdraw from the economy." Moreover, he blamed private companies for the trade dispute between Belarus and Russia claiming that private companies "never worry about the people and the state" but only want to "pocket huge revenues." Nevertheless, this did not stop Lukashenko from urging private businesses to help sell off the huge inventories that have accumulated over the last six to nine months at most state enterprises.

¶11. (U) GOB Must Maintain the Social Contract: Full Employment and Subsidies of the Utilities

Deputy PM Semashko told the media on October 2 that the GOB's top economic priorities are to develop the manufacturing sector and to secure decent living standards for people. "However hard it may be today, people must have a job," underscored Semashko, adding that households had to only pay 32% of the cost of natural gas with the government subsidizing the rest.

¶12. (U) Lukashenko Is Private Sector Friendly - For a Year - To Combat Collapsing Export Statistics

On September 25, a Presidential decree extended preferential conditions through July 1, 2010 to entrepreneurs engaged in exporting Belarus-made goods. The decree relaxed taxation procedures and simplified the handling of foreign currency proceeds.

¶13. (U) Foreign Direct Investment on the Decline

A source in the National Bank told the Prime-TASS news agency that net inflows of foreign direct investment (FDI) in Belarus dropped 4.7% y-o-y for January-June 2009 to \$1.155 billion, with \$898.5 million or 63% of total FDI coming from Russia.

¶14. (U) Belarusians Buying Hard Currency As a Cushion Against the Unknown

According to September 29 media reports, the National Bank (NB) registered a 17.07 percent depreciation of the Belarusian ruble against the basket of currencies of Belarus' main trade partners in real terms for January-August 2009. The Belarusian ruble depreciated 13.22 percent against the Russian ruble, 21.09 percent against the Ukrainian hryvna, 22.11 percent against the euro, and 19.17 percent against the USD in the same period. According to the NB, from January-July 2009, Belarus residents purchased from the Belarusian banks \$3.893 billion in foreign currency cash, 22.8% in the same period in 2008. (Note: Hard currency is a historical safe haven for Belarusians in time of economic uncertainty. End Note)

¶15. (U) Belarus' Commodity Trade, Yet Another Sector Where Imports Exceed Exports

Belarus' foreign commodity trade deficit reached \$4.7 billion in January-August 2009, compared to \$3.7 billion in the same period in 2008. Exports dropped 44.5 percent y-o-y and imports 34.7 percent over this period. Belarus' exports to Russia, its major trading partner, fell by 46 percent y-o-y while its imports from

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Russia decreased only by 39.2 percent.

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International Security  
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¶16. (U) Russia, Belarus Conclude "Successful" Military Exercises  
Zapad 2009

Russian President Medvedev stated on September 28 that the Belarus-Russia joint military drills Zapad 2009 were not "threatening anyone" and were "of a defensive nature." He furthermore praised "high-level" organization of the exercises that keep the armed forces "in proper shape." Attending with President Lukashenka the last day of maneuvers in Belarus, Medvedev assessed the drills as "successful" and said similar large-scale, international military exercises would be held alternately in Belarus and Russia every two years to help both states enhance a "reliable" defense system for the Union State. Lukashenka echoed his Medvedev's remarks

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Religion  
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¶17. (U) Russian Orthodox Patriarch Hails GOB's Relations with the Church, But Surprised About the Pope

Russian Orthodox Patriarch Kirill I paid his first official visit to Belarus on September 25-28. Lukashenka wholeheartedly welcomed the Patriarch on September 25, citing that the GOB "will always support not only the Orthodox Church" but also his "patriarchal service." The President emphasized that religious laws in Belarus recognize "the Church's determining role in the development of spiritual, cultural, and state traditions" and added that "the state cannot exist without the Church." The Patriarch concurred and said that Belarus remained Russia's "most reliable ally." He argued that "the Patriarch of all Rus is not the Patriarch of Russia only as Holy Rus spreads to other states" which made "our people united by a system of values." The Patriarch attributed Belarus facing political and other challenges to its location on the "turbulent" borders between European civilizations. Kirill lauded "peace" and lack of tension between various Christian denominations in Belarus, in particular, "fruitful cooperation" between the Roman Catholic and Orthodox Churches. Additionally, he welcomed a dialogue between the Christians and the Moslems, explaining that "people of Islamic guidance may be closer by their faith than Western people who are secularized to the core." Unexpectedly for the GOB, the Patriarch dismissed speculations that he might be meeting with Pope Benedict XVI in Belarus and claimed that he was "unaware" of the GOB's efforts to arrange such a meeting.

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Quote of the Week  
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¶18. (U) Answering questions of Russian journalists in Minsk on October 2 Lukashenka said:

"We held these (military) exercise (West 2009) not with Americans, not with NATO but with our Russians. And only an idiot can say after that that Lukashenka turned to the West or some other directions and abandoned Russia."

SCANLAN